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CHARMAINE TAVARES
MAYOR



OFFICE OF THE MAYOR
County of Maui

May 25, 2007

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Honorable Carlito P. Caliboso, Chairman
and Members of the Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, HI 96813

FILED
2007 MAY 29 P 2:52
PUBLIC UTILITIES
COMMISSION

SUBJECT: Docket No. 2006-0387, Regarding Maui Electric
Company's Requested Rate Increase

Dear Chairman Caliboso and Members of the Public Utilities Commission:

I appreciate your Order No. 23449, granting the County of Maui ("County") an enlargement of three weeks for intervention in the subject docket. The extra time allowed Maui Electric Company ("MECO") to address the County's concerns related to rate design, impact fees, and other rate case and integrated resource planning ("IRP") issues. The County and MECO reached an understanding to address the aforementioned issues in the IRP process and therefore, the County will not intervene in the subject docket. I have attached the Memorandum of Understanding that was reached between the County and MECO. We will further explain how we plan to address our agreed upon issues in the IRP process when the Commission conducts its IRP public hearing.

Thank you for your consideration. I look forward to working with the Commission to address Maui County's energy future.

Sincerely,

A handwritten signature in cursive script, reading "Charmaine Tavares".

CHARMAINE TAVARES
Mayor, County of Maui

cc: Edward Reinhardt
Catherine Awakuni
Kal Kobayashi

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("MOU"), made and entered into this 25th day of May, 2007 by and between County of Maui, hereinafter referred to as "County" and Maui Electric Company, Limited, hereinafter referred to as "MECO", collectively referred to as "Parties."

Background

WHEREAS, the Parties desire to work together to guide future decisions and actions within the County of Maui for a desirable and sustainable environment, community, and economy.

WHEREAS, the Integrated Resource Planning (IRP) is a process established by the Hawaii Public Utilities Commission (the Commission or PUC) with Decision and Order No. 11523, filed March 12, 1992, Docket No. 6617, in which each electric utility in the State of Hawaii is required to develop a long-range plan to meet future energy needs.

WHEREAS, the IRP process provides an opportunity for MECO, in collaboration with its Advisory Group and the community as a whole, to develop long-range and short-range plans that incorporate both supply-side and demand-side resources to meet its customers' needs, while ensuring the delivery of reliable and affordable electric power for residential and business customers for each of the three power systems of MECO – the Maui, Lanai, and Molokai Divisions.

WHEREAS, the County Administration is a member of MECO's Advisory Group through representation from the Department of Management and other departments representing essential services such as the Department of Public Works and Environmental Management, the Department of Water Supply, the Department of Housing and Human Concerns.

WHEREAS, MECO filed its IRP-3 Plan for the 20-year planning horizon of 2007 – 2026, Docket No. 04-0077, with the Commission on April 30, 2007, in accordance with Order No. 20953 issued on April 30, 2004.

WHEREAS, County is interested in addressing issues such as rate design to influence utility customer uses of energy to produce desired changes in demand, assessment of impact fees to utility customers requesting new service or an increase to existing service, unbundling the individual costs associated with ancillary services, and the selection of resources identified in MECO's sustainability strategy such as biofuels and emerging technologies within MECO's IRP process.

WHEREAS, the Parties acknowledge the work performed resulting from this MOU shall comport with the Framework for Integrated Resource Planning.

Purpose, Scope and Authorities

NOW, THEREFORE, the Parties establish this MOU for the purpose of documenting a mutual intent to work towards addressing the County's aforementioned issues within an appropriate forum of MECO's IRP-3 process.

1. Addressing issues such as rate design to influence utility customers' use of energy to produce desired changes in demand.
2. Addressing the assessment of impact fees to utility customers requesting new service or an increase to existing service.
3. Addressing the issues related to unbundling the individual costs associated with ancillary services.
4. Addressing issues related to the selection of resources identified in MECO's sustainability strategy such as biofuels and emerging technologies.

Responsibilities

The Parties hereby agree as follows:


1. MECO proposes to work with intervenors to Docket No. 04-0077, MECO IRP-3, in developing a schedule over the next 30 to 60 days, unless extended, which will allow a review of MECO's IRP-3 filing by the interested parties, including the County.
2. MECO proposes to schedule on a regular basis, Advisory Group meetings such that there is at least one meeting scheduled for each calendar quarter. More frequent meetings can be scheduled as needed such as technical meetings to provide opportunity for Advisory Group members to review and comment on subjects including, but not limited to the issues raised by the County described above.
3. The Parties propose to address the concerns raised by the County not reflected in MECO's IRP-3 through ongoing dialogue with the Advisory Group within MECO's IRP-3 process. This ongoing process may result in the development of pilot programs and/or research design and development projects.
4. The Parties agree to work together in good faith along with the other members of MECO's IRP Advisory Group.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Understanding as of the day and year first above written.


COUNTY OF MAUI

By 
Charmaine Tavares
Its Mayor

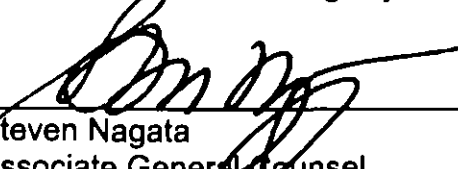
Approved as to Form and Legality:

By 
Deputy Corporation Counsel

MAUI ELECTRIC COMPANY, LIMITED

By 
Edward Reinhardt
Its President

Approved as to Form and Legality:

By 
Steven Nagata
Associate General Counsel
Hawaiian Electric Company, Inc.